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ABSTRACT

At Congressional request, the General Accounting Office examined states' choices for providing child care assistance to families and states' proposed changes to child care assistance programs for fiscal year 2004. Information was obtained through a survey of child care administrators of the 50 states and the District of Columbia. Findings revealed that the vast majority of states have made all three groups of families eligible for child care assistance: families receiving TANF, those transitioning off of TANF, and other low-income working families. However, half the states do not provide assistance to all families who apply and are eligible for such assistance. States often give families receiving TANF and transitioning families higher priority than other low-income working families when program resources are insufficient to cover all applicants. Since January 2001, 35 states have made key changes affecting child care assistance availability: 23 made changes tending to decrease availability, 9 made changes increasing availability, and 3 made mixed changes. The actual impact on the numbers of children served and their welfare status could not be determined. Governors' budget proposals for fiscal year 2004 presented a mixed picture for child care assistance funding, with officials in 29 states identifying proposals containing measures that would either maintain (11 states), decrease (11 states), or increase (7 states) funding for child care assistance, if adopted. Officials in remaining states either reported that the state did not have a governor's budget proposal currently addressing child care assistance (17 states) or did not provide information on them (5 states). (Copies of briefing slides for Congressional staff are appended.) (KB)

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United States General Accounting Office

GAO

Report to the Ranking Minority Member, Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

May 2003

CHILD CARE

Recent State Policy Changes Affecting the Availability of Assistance for Low-Income Families

ED 476 811

PS 031279

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Abbreviations

CCDF	Child Care and Development Fund
TANF	Temporary Assistance for Needy Families

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United States General Accounting Office
Washington, DC 20548

May 5, 2003

The Honorable Benjamin L. Cardin
Ranking Minority Member
Subcommittee on Human Resources
Committee on Ways and Means
House of Representatives

Dear Mr. Cardin:

With the Temporary Assistance for Needy Families (TANF) program taking effect in 1997, child care assistance became a significant strategy for helping welfare recipients move into the workforce and for helping other low-income families stay off welfare. Since 1997, states have used federal funds from the Child Care and Development Fund (CCDF) and TANF along with state funds to expand child care assistance programs. However, given the current budget problems in most states and the competing demands for TANF and state funds, it is possible that states have changed their child care policies and the availability of child care assistance to low-income families.

As Congress considers reauthorizing CCDF and TANF, you asked us to answer these questions:

1. What choices have states made for providing child care assistance to three groups of low-income families: (a) TANF families, (b) families transitioning off TANF, and (c) other low-income working families?

2. Since January 2001, to what extent have states made key changes that affect child care availability and have those changes increased or decreased the overall availability of child care assistance in the nation?

3. What changes to child care assistance programs are governors proposing for the next fiscal year?

To answer your questions, we surveyed the child care administrators of the 50 states and the District of Columbia regarding their states' child care assistance policies and current governors' proposals affecting child care

assistance.[1] The survey asked whether, since January 2001, states had made changes to key policies affecting the availability of child care assistance.[2] We received responses from all 50 states and the District of Columbia. In analyzing survey responses, we classified each specific policy change that a state identified as either increasing or decreasing the availability of child care assistance. Policy changes that allow more families to enter and remain in a state's child care assistance programs were classified as increasing availability, while policy changes that limit entry or length of stay in the programs were classified as decreasing availability. We conducted our review from January through April 2003 in accordance with generally accepted government auditing standards.

On April 24, 2003, we briefed your staff on the results of our survey. This report formally conveys the information provided during that briefing. (See app. I.) In summary, we found:

A vast majority of states have made all three groups of families—TANF families, families transitioning off TANF, and other low-income working families—eligible for child care assistance. However, half of the states do not provide child care assistance to all the families who apply and are eligible for such assistance under the states' eligibility policies. States often give TANF and transitioning families higher priority than other low-income working families when program resources are insufficient to cover all who apply.

Since January 2001, two-thirds of the states made key changes that affect the availability of child care assistance while the other one-third maintained their policies. Of the 35 states that made key changes:[3]

- 23 made changes tending to decrease the availability of assistance,
- 9 made changes tending to increase the availability of assistance, and
- 3 made a mix of changes.

[1]In reporting our survey results, we refer to the District of Columbia as a state.

[2]We chose January 2001 as our comparison point because state fiscal conditions began to deteriorate at about this time.

[3]We grouped states simply on the basis of the type of changes made, that is, on whether the state made changes that likely increased, decreased, or had a mix of effects on the availability of child care assistance. We did not assess the relative impact on availability of the various policy changes that states made.

While these changes would appear to have decreased the availability of child care assistance overall compared with 2001, we could not determine the actual outcomes in numbers of children served and their welfare status because data on these outcomes are not readily available.[4]

Governors' budget proposals for fiscal year 2004 present a mixed picture for child care assistance funding. Child care officials in 29 states identified governors' budget proposals that contained measures that would either maintain (11 states), decrease (11 states) or increase (7 states) funding for child care assistance, if adopted. The child care officials in the remaining states either reported that the state did not have a governor's budget proposal currently addressing child care assistance (17 states) or did not provide information on the proposals (5 states).

We provided a draft of our findings to officials at the U.S. Department of Health and Human Services' Administration for Children and Families, which oversees state CCDF programs; however, they were not able to provide comments on the draft within the short timeframe allowed.

We are sending copies of this report to relevant congressional committees and other interested parties and will make copies available to others upon request. The report will also be available on GAO's Web site at http://www.gao.gov. If you or your staff have any questions about this

[4]In assessing whether the policy changes likely increased or decreased the overall availability of child care assistance in the nation, we related each group of states to its share of the nation's population of children in poverty. According to 2001 Census Bureau data on children under 125 percent of the poverty level, the percentage for each group is: (1) states that made no policy changes affecting availability—36.5 percent; (2) states that made changes decreasing availability—41.5 percent; (3) states that made changes increasing availability—16 percent; and (4) states that made a mix of changes—6 percent.

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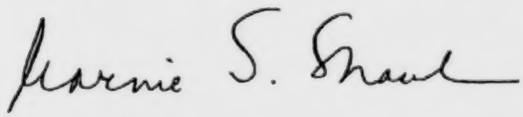
report, please contact me or Gale Harris at (202) 512-7215. Kathleen Peyman, Deborah A. Signer, and Luann Moy also made key contributions to this report.

Sincerely yours,



Marnie S. Shaul
Director, Education, Workforce, and
Income Security Issues

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Recent State Policy Changes Affecting the Availability of Child Care Assistance

Briefing for Staff of
Rep. Benjamin Cardin
Ranking Minority Member
Subcommittee on Human Resources
Committee on Ways and Means
House of Representatives
April 24, 2003

1

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Introduction

With passage of welfare reform in 1996, child care assistance has become a significant strategy for helping recipients of Temporary Assistance for Needy Families (TANF) move into the workforce and for helping other families stay off welfare.

The Congress provided states with more child care funding and with flexibility to allocate child care monies among three groups at risk: (1) TANF families participating in work-related activities, (2) families that recently transitioned off TANF (transitioning families), and (3) other low-income working families.

Since 1996, many states have expanded their programs of child care assistance with funds from the federal Child Care and Development Fund (CCDF) and TANF; however, their policies may have changed somewhat in recent years, given state budget shortfalls and other factors.

In view of the pending reauthorization of welfare and child care legislation, you asked us to provide information about states' child care assistance programs for low-income families.

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Key Questions

1. What choices have states made for providing child care assistance to three groups of low-income families:
   - families using TANF,
   - families transitioning from TANF (transitioning families), and
   - other low-income working families?
2. Since January 2001, to what extent have states made key changes that affect child care availability and have these changes increased or decreased the overall availability of child care assistance in the nation?
3. What changes to child care assistance programs are governors proposing for the next fiscal year?

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Scope and Methodology

Surveyed child care administrators in 50 states and the District of Columbia (D.C.).

- All states and D.C. responded. (In this briefing, we will refer to D.C. as a state when we present response totals.)
- Some states did not answer all survey questions.
- States responded between March 17 and April 11, 2003.

Review was conducted from January through April 2003 in accordance with generally accepted government auditing standards.

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Scope and Methodology (continued)

Survey addressed

- key policies that control the availability of child care assistance to families (Policy changes that tend to increase availability allow more families to enter into a state's subsidy system, while policy changes that tend to decrease availability limit entry into or length of stay in the system);
- other policies on reimbursement rates and quality initiatives;
- how current policies differ from policies in effect in Jan. 2001[1] (Policies scheduled to take effect in the next several months were also included);
- whether policy changes affected any of three groups of families: (1) families currently receiving TANF, (2) transitioning families, and (3) other low-income working families;
- governors' budget proposals for child care assistance for states' fiscal year 2004. (We did not independently verify budget information provided.)

[1]We chose Jan. 2001 because state fiscal conditions began to deteriorate at about this time. However, we did not determine the causes of any child care policy changes reported by states; changes may be due to a variety of reasons, including adjusting program size to match available resources or shifting policy direction.

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Scope and Methodology (continued)

Classification of state survey responses:

- Each specific policy change identified by a state was classified as either increasing or decreasing the availability of child care assistance for any of the three groups of families. We focused on changes in
  - income eligibility thresholds and other eligibility factors;
  - use of waiting lists and enrollment policies; and
  - copayments (the amount a family has to pay for care)—We classified rising copayments as making child care assistance less available.
- For any policy set at the local level rather than the state level, the child care administrator responsible for the entire state's child care assistance program was to respond about what was typically occurring at the local level. This occurred in three states for which respondents said policies were established at the local level and in some other instances where respondents provided information about policy variation among localities.
- Technical changes, such as inflation adjustments in copayments and policy changes that were unlikely to increase or decrease the availability of child care, were not included in our results.

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Scope and Methodology (continued)

Limitations of survey results:

- States may have made policy changes since January 2001 but may not have identified the changes on the survey.
- The survey results address key policy changes that affect the availability of child care assistance. More comprehensive data, including the number of children served and which groups of families they are from, are needed to fully assess the effect of these policy changes. However, these data are not routinely available.
- The survey focuses on key policies that are established at the state level for the entire state (except in three states); it does not include local policies or factors that may also affect child care assistance programs.

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Summary of Results

- A vast majority of states have made all three groups of families eligible for child care assistance. In half of the states, however, not all eligible families who apply for assistance receive it. States often give TANF and transitioning families higher priority than other low-income working families when program resources are insufficient to cover all who apply.
- Since January 2001, two-thirds of the states made key changes that affect the availability of child care assistance while the other one-third maintained their policies. Of the 35 states that made key changes,
  - 23 made changes tending to decrease the availability of assistance,
  - 9 states made changes tending to increase availability of assistance,
  - 3 states made a mix of changes.

  While these changes would appear to have decreased the availability of child care assistance overall compared with 2001, the actual outcomes in numbers of children served and their welfare status is not known.

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Summary of Results (continued)

- Governors' budget proposals for fiscal year 2004 present a mixed picture. Child care officials identified 29 state governors' budget proposals that contained measures that would either maintain (11 states), decrease (11 states), or increase (7 states) funding for child care assistance, if adopted. The child care officials in the remaining states either reported that the state did not have a governor's budget proposal currently addressing child care assistance (17 states) or did not provide information on the proposals (5 states).

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Background

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CCDF and TANF Are Key Federal Funding Sources for Child Care

To support the work-focused goals of welfare reform, the 1996 legislation:

- Gave states, through the CCDF, flexibility to provide child care subsidies to families with up to 85 percent of state median income, if they are working or involved in education and training.[1] Federal CCDF funds available in fiscal year 2002 totaled $4.8 billion.
- Gave states flexibility to transfer up to 30 percent of TANF funds to the CCDF or spend TANF funds, directly, for child care assistance.
- Encouraged states to spend their own funds for child care through matching and maintenance-of-effort requirements.

[1]While states are allowed to set income eligibility thresholds up to 85 percent of state median income, most states set thresholds at lower levels. In this report, we use the term "low-income" to refer to all families who are eligible for child care assistance in a state. However, some families who are eligible for child care assistance could be referred to as moderate-income families, especially in states with income eligibility thresholds as high as 85 percent of state median income.

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Background

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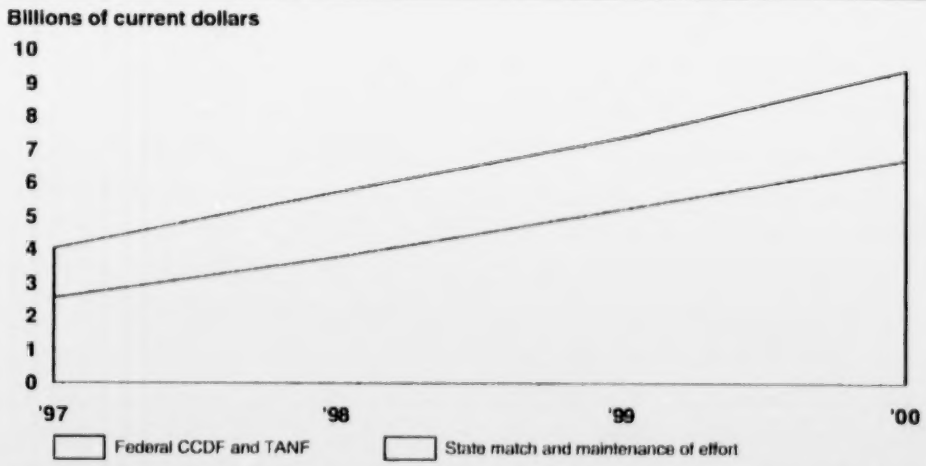
Federal and State Child Care Spending Grew through Fiscal Years 1997 - 2000



Sources: Congressional Research Service analysis of CCDF and TANF expenditure data from the Administration for Children and Families, Department of Health and Human Services. While more recent data are available (through 2001 for CCDF and 2002 for TANF), they have not yet been analyzed to ensure comparability with data for previous years. However, preliminary analysis through fiscal year 2001 continues to show an upward trend.

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Background

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States Have Flexibility to Determine Which Families Are Served

Under federal guidelines, states

- have flexibility to set child care policies and
- are not required to guarantee child care assistance to any family.

States can adjust their policies based on numbers of families applying and the funding available.

- For example, states may change their income eligibility thresholds in order to match the number of families covered with funds available for child care assistance.

These adjustments can determine

- which groups of families will be eligible and
- which eligible families will be served.

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Background

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Availability for Non-TANF Families Increased after 1996

While there are not sufficient data to draw a national picture, some studies show that after 1996 many states used CCDF and TANF funds to increase the availability of child care subsidies to transitioning families and other low-income families. For example:

- A study of 17 state child care programs showed that the number of children receiving subsidies had increased greatly from 1997 to 1999, with much of the growth resulting from the use of TANF funds. As TANF caseloads were declining, states were expanding child care aid to help transitioning and low-income working families. See *National Study of Child Care for Low-Income Families: State and Community Substudy Interim Report*, Ann M. Collins et al., Abt Associates, Cambridge, MA (Nov. 2000).
- GAO research also found that states have reached beyond their welfare caseload to provide child care. In December 2001, 23 states were serving non-TANF families in numbers anywhere between 10 and 160 percent of the number of TANF families on cash assistance. See U.S. General Accounting Office, *Welfare Reform: States Provide TANF-Funded Work Support Services to Many Low-Income Families Who Do Not Receive Cash Assistance*, GAO-02-615T, (Washington, D.C.: Apr. 10, 2002).

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Background

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Changing Economic and Fiscal Conditions Can Affect States' Policy Choices

During the first 4 years (1997-2000) following implementation of TANF and CCDF,

- most states were experiencing healthy fiscal periods.
- TANF cash assistance caseloads declined sharply.
- states chose to use some of their TANF funds to increase the availability of supports, including child care assistance, for low-income working families.

Since January 2001,

- state fiscal conditions have deteriorated and most states have faced growing budget problems.
- TANF cash assistance caseloads have grown in many states, and nationally, the decline in TANF caseloads slowed.
- states have faced choices about how best to use federal TANF funds and their own state funds to support program needs and goals.

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Question #1

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States Are Evenly Split on Whether They Serve All Eligible Families Who Apply

- 25 states reported they currently serve all families who apply and are eligible under the states' eligibility criteria.
- 26 states reported they currently do not serve all families who apply and are eligible under the states' eligibility criteria.

Source: State child care officials' responses to GAO survey.

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Question #1

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States Generally Make All Groups Eligible, but Low-Income Families Often Receive Lower Priority

Of the 49 states that responded to our survey question

- 48 said all three groups of families are eligible--TANF families, transitioning families, and other low-income working families
- Tennessee responded that only TANF families and transitioning families (for 18 months after leaving TANF) are eligible.

However, other factors also affect whether eligible families who apply for child care assistance actually get served.

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Question #1

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TANF and Transitioning Families Generally Have Higher Priority in States Not Serving All

Of the 26 states that do not serve all eligible families who apply:

- Fourteen states gave TANF families higher priority than the other two groups:
  - Ten states reported three priority levels—TANF families first, transitioning families second, and other low-income families third.
  - Four states reported that TANF families receive highest priority and transitioning and other low-income families receive lower priority.
- Nine states reported giving TANF and transitioning families highest priority and other low-income families second priority.
- Three states did not provide complete information.

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Question #1

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With Some Exceptions, Low-Income Working Families Have Lowest Priority

In the 26 states not serving all eligible families, other low-income working families (those not on TANF or transitioning off TANF) are generally the lowest priority.

- However, some families in this group do have high priority. For example,
  - New York guarantees child care assistance to families in this group who could be eligible to receive TANF cash assistance but who have chosen not to receive it.
  - Massachusetts gives immediate access to low-income military families who are deployed overseas.

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Question #1

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Potential Outcomes for Lower Priority Families

When insufficient funds are available to serve all eligible families who apply for assistance, lower-priority families are most likely to

- be put on a waiting list,
- be subject to freezes on enrollment of new families, or
- lose benefits while still eligible.

A change in priority can result in families losing benefits. For example,

- leaving TANF can result in losing child care assistance in two states (Montana and Indiana), and
- coming to the end of a state's transition period
  - can result in losing child care assistance while still eligible in four states: Arkansas, Indiana, Nevada, S. Carolina
  - can result in no longer being eligible in three states: Nebraska, New Mexico, Tennessee.

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Question #2

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Since 2001, 35 States Have Made Key Policy Changes While the Remaining 16 Maintained Their Policies

Thirty-five states made key changes affecting availability while the other 16 did not. Of the states that made key changes:

- Twenty-three states made changes tending to decrease the availability of child care assistance.
- Nine states made changes tending to increase the availability of assistance.
- Three states made a mix of changes.

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Question #2

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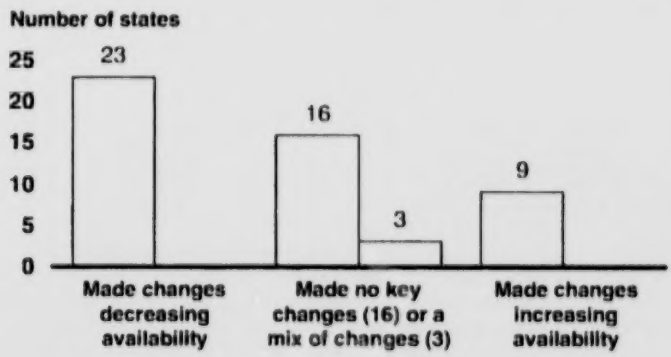
These Changes Would Likely, on Balance, Have Decreased Overall Availability of Aid Since 2001

Because more states made changes that tended to decrease availability of assistance than to increase it, the overall availability of child care assistance has likely decreased compared with its availability in January 2001.



Source: State child care officials' responses to GAO survey.

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Question #2

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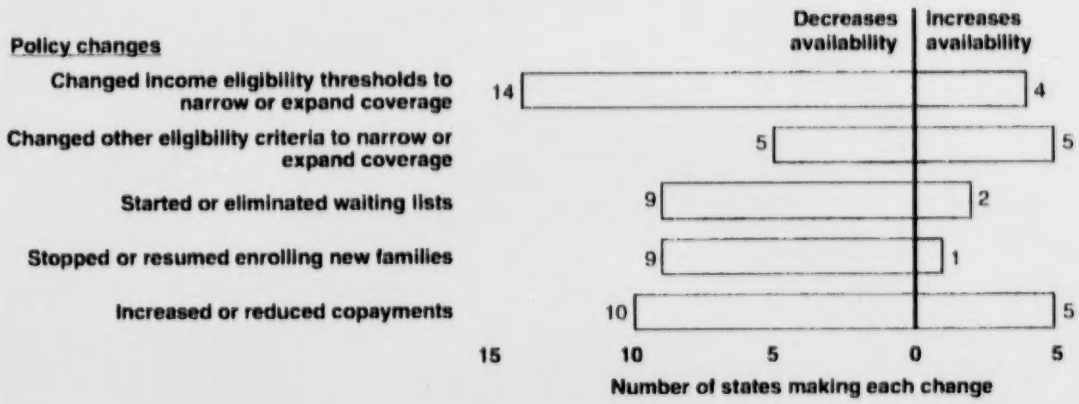
Policy Changes Have Been Common, with Decreases in Availability Predominating

Number of States that Changed Certain Policies Affecting the Availability of Child Care Assistance Since January 2001



Source: State child care officials' responses to GAO survey.

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Question #2

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Twenty-three States Made Changes that Decrease Availability of Child Care Subsidies

State	Type of change				
	Changed income eligibility thresholds to narrow coverage	Changed other eligibility factors to narrow coverage	Started waiting list	Stopped enrollment of new families	Increased copayments
Arizona			●	●	
Connecticut	●		●	●	
Colorado	●	●	●		
District of Columbia			●	●	
Idaho					●
Indiana	●				
Kansas	●				
Kentucky	●	●	●	●	●
Missouri	●				
Montana			●		●
Nebraska	●	●			●
New Jersey				●	
New Mexico	●				
Nevada			●	●	
North Carolina					●
North Dakota	●				
Ohio[a]	●				●
Oregon	●	●			●
Pennsylvania			●		
Tennessee				●	
Texas	●	●			●
Washington	●				●
West Virginia	●				●

Source: State child care officials' responses to GAO survey.

[a]Ohio is scheduled to implement these changes later in 2003.

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Question #2

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Nine States Made Changes that Increase Availability of Child Care Subsidies

State	Type of change				
	Changed income eligibility thresholds to expand coverage	Changed other eligibility factors to expand coverage	Eliminated waiting list	Resumed enrollment of new families	Reduced copayments
Alaska			•		
Georgia		•			
Iowa			•		
Massachusetts					•
New York		•			
Oklahoma	•	•			
South Carolina				•	
South Dakota	•				•
Wyoming	•	•			•

Source: State child care officials' responses to GAO survey.

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Question #2

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Three States Had a Mix of Changes

Alabama

- Increased availability by reducing the number of hours families are required to work in order to qualify for subsidies and by reducing the copayments of families with more than one child receiving assistance.
- Decreased availability in October 2002 by stopping enrolling new low-income working families in the child care assistance program.

Louisiana

- In January 2001, changed its income eligibility threshold to make fewer families eligible, and in July 2002 changed it back to its prior level.
- In 2001, started and then stopped a waiting list for other low-income working families and lowered copayments.

Maryland

- In January 2002, expanded availability by changing its income eligibility threshold from 45 percent to 50 percent of state median income.
- In January 2003, stopped enrolling new families, except TANF families and those who received TANF within 2 months of applying for child care subsidies.

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Question #2

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Of the 18 States that Changed Income Thresholds, Most Reduced Coverage

While most states maintained the same income eligibility thresholds that they had in January 2001, 14 states decreased them, reducing availability for higher income families. For example, the thresholds

- Decreased for certain types of families—In July 2002, Nebraska decreased its maximum threshold for other low-income working families from 185 percent to 120 percent of the federal poverty level, while the threshold remains at 185 percent for transitioning families.
- Decreased for new applicants—In August 2001, New Mexico decreased its maximum threshold from 200 percent to 100 percent of the federal poverty level for all new applicants. In May 2003, New Mexico will change this threshold to 130 percent of the federal poverty level.
- Decreased due to inaction—Two states reported that their maximum income eligibility levels had declined in real terms because the state had chosen not to adjust income eligibility levels to account for inflationary increases. (Mo., N. Dak.)

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A Few States Changed Income Thresholds to Increase Coverage

Four states increased maximum income eligibility thresholds to increase availability for higher-income families. For example,

- South Dakota increased its threshold for all families from 150 percent to 200 percent of the federal poverty level in March 2002, and
- Wyoming, which has a threshold for initially qualifying for assistance and a threshold for continuing to receive assistance, raised both thresholds. It raised the first threshold from 150 percent to 185 percent and the second threshold from 185 percent to 200 percent of the federal poverty level.

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Question #2

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Some States Changed Other Eligibility Factors Affecting Availability

Potential decreases:

Five states changed eligibility factors other than income levels that could decrease the number of families eligible to receive child care assistance. For example,

- Kentucky is adding a 20-hour work requirement for families receiving child care assistance. This change will affect transitioning families and other low-income working families.
- In Colorado, some counties have eliminated education as an activity that qualifies for child care assistance. This change can affect TANF, transitioning, and other low-income working families.

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Some States Changed Other Eligibility Factors Affecting Availability (continued)

Potential increases:

Five states changed eligibility factors other than income levels that could increase the number of families eligible to receive child care assistance. For example,

- New York gave its counties the option of making 4-year college education an activity eligible for child care assistance coverage. This change affects TANF, transitioning, and other low-income working families.
- Oklahoma allowed 30 days of child care subsidy to families who had been receiving assistance while working but had become unemployed and were searching for a job. This change affects transitioning families and other low-Income working families.

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Question #2

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Waiting Lists Are Somewhat More Common than Before

Since January 2001,

- Nine states started using waiting lists.
  - In three of these states, transitioning families as well as other low-income working families could be put on the waiting list (D.C., Colo., Md.).
  - In six other states, waiting lists were started for other low-income working families (Ariz., Conn., Ky., Mont., Nev., Pa.).
- Two states eliminated their waiting lists for other low-income working families by providing child care assistance to families on the lists (Alaska, Iowa).

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Question #2

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Several States Have Stopped Adding New Families to Child Care Assistance Programs

Since January 2001,

- Nine states stopped providing subsidies to new families applying for child care assistance.
  - In two states, the change affected transitioning families as well as other low-income working families (D.C., Md.).
  - In seven states, the change affected only other low-income working families (Ala., Ariz., Ky., Conn., Nev., N.J., Tenn.).
- One state resumed enrollment of new applicants into the assistance program--specifically other low-income working families (S.C.).

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Question #2

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Of 15 States that Changed Copayments, More Increased than Decreased What Families Must Pay

Copayments are the amounts of their own funds that states require families receiving child care assistance to pay to their child care providers. In many states, TANF families are exempted from paying copayments.

Since January 2001,

- Ten states increased copayments
  - Five states increased copayments for all types of families, including TANF (Idaho, Mont., N.C., Wash., W.Va.).
  - Four additional states increased copayments for transitioning and other low-income working families (Ky., Nebr., Oreg., Tex.).
  - Ohio has scheduled to increase copayments later this year.
- Five states reduced copayments
  - Three states reduced copayments for all types of families, including TANF families (Ala., Mass., Wyo.).
  - Two additional states reduced copayments for transitioning and other low-income working families (La., S.Dak.).

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A Few States Made Other Copayment Changes that Have a Mixed Effect

Three states reported other changes in copayments that could result in both increases and decreases.

- Connecticut increased copayments for some families but also created income disregards that would decrease copayments for some families.
- Alaska changed its basis for determining copayments from a percentage of cost of care to a percentage of gross income.
- Maryland, which bases copayments on a percentage of cost of care, raised copayments but placed a cap on these increases and reduced the highest percentage of cost of care that a family must pay.

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Question #2

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Other Policy Changes—More than Half the States Increased Reimbursement Rates for Providers

Reimbursement rates are the amounts a state pays to a child care provider to subsidize the care provided to children in families receiving assistance. The rate amount can affect whether families are able to find child care providers who will accept subsidies.

Since January 2001,

28 states increased reimbursement rates, nearly all in response to market rate surveys	**4 states decreased rates**
Alaska, Ala., Ariz., Calif., Conn., Fla., Ga., Hawaii, Kans., Ky., Maine, Md., Minn., Nebr., N.J., N.M., N.Y., N.C., Okla., Pa., R.I., S.C., S.Dak., Tenn., Va., Wash., Wis., Wyo.	Idaho, Mich., Nev., W.Va.

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Question #2

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Other Policy Changes—Twice as Many States Increased as Decreased Spending on Quality Initiatives

Since January 2001,

22 states reported increased spending on quality initiatives designed to promote quality child care	10 states reported decreased spending on quality initiatives
Ark., Calif., Fla., Ga., Hawaii, Ill., Iowa, Ky., La., Nebr., N.J., N.M., N.Y., Okla., Pa., R.I., S.C., Utah, Vt., Va., Wis., Wyo.	Conn., Ind., Kans., Md., Minn., N.C., N.Dak., Tex., Wash., W.Va.

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Question #3

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Governors' Budget Proposals Present a Mixed Picture for Fiscal Year 2004

Fiscal 2004

In 29 states, child care officials reported whether their governors' budget proposals for the upcoming fiscal year would change the level of funding for child care subsidies.

11 propose decreases	11 propose to keep funding about the same as last year	7 propose increases
Alaska, Ala., Conn., D.C., Md., Minn., Mont., N.C., N.H., Tenn., Wash.	Calif., Colo., Ga., Mass., Miss., Mo., N.Dak., Nebr., Ohio, Ore., S.Dak.	Ariz., Fla., Iowa, Kans., N.Mex., N.Y., Pa.

In 17 states, child care officials reported that their governors did not currently have budget proposals addressing child care assistance, and in the 5 remaining states, the child care officials did not provide information.

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Question #3

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Substantial Structural Change Proposed in California

- California's governor's budget proposes moving the funding and policy-setting for child care assistance programs from the state-level to the county-level.
- If adopted, the proposal will likely result in changes to key policies addressed by our survey.

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Observations

- Our survey results show that a significant number of states have changed their child care policies in ways that tend to decrease availability. At the same time, it is noteworthy that one-third of the states did not make key changes and several took steps to increase availability. Even so, the net effect would appear to be that states have decreased the availability of child care assistance overall compared with 2001—that is, these findings indicate that entry into and remaining in the child care assistance system may be less possible for families, particularly for families not associated with the welfare system.
- To provide a more definitive assessment of changes in the availability of child care subsidies, additional data are needed, including more recent data on the number of children receiving subsidies, the welfare status of families receiving subsidies, and trends in spending levels. As a result, we consider these results suggestive rather than definitive until more is known about actual outcomes of changes in states' child care assistance programs.

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Related GAO Products

Child Care: States Exercise Flexibility in Setting Reimbursement Rates and Providing Access for Low-Income Children. GAO-02-894. Washington, D.C.: September 18, 2002.

Child Care: States Have Undertaken a Variety of Quality Improvement Initiatives, but More Evaluations of Effectiveness Are Needed. GAO-02-897. Washington, D.C.: September 6, 2002.

Early Childhood Programs: The Use of Impact Evaluations to Assess Program Effects. GAO-01-542. Washington, D.C.: April 16, 2001.

Welfare Reform: States Provide TANF-Funded Work Support Services to Many Low-Income Families Who Do Not Receive Cash Assistance. GAO-02-615T, Washington, D.C.: April 10, 2002.

Child Care: States Increased Spending on Low-Income Families. GAO-01-293. Washington, D.C.: February 2, 2001.

Child Care: How Do Military and Civilian Center Costs Compare? GAO/HEHS-00-7. Washington, D.C.: October 14, 1999.

Child Care: Use of Standards to Ensure High Quality Care. GAO/HEHS-98-223R. Washington, D.C.: July 31, 1998.

Welfare Reform: States' Efforts to Expand Child Care Programs. GAO/HEHS-98-27. Washington, D.C.: January 13, 1998.

Welfare Reform: Implications of Increased Work Participation for Child Care. GAO/HEHS-97-75. Washington, D.C.: May 29, 1997.

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